THE ALL-INDIA VILLAGE INDUSTRIES ASSOCIATION

CURRENCY INFLATION— ITS CAUSE AND CURE

PRINCIPAL,
GANDHIGRAM,
EXTENSION TRAINING CENTRE

BY

J. C. KUMARAPPA

MAGANVADI
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C.D.P 132

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First Edition 1943
Second Edition 1949

Printed on Handmade Paper

PRICE Rs. 0—12—0

Published by— J. C. Kumarappa. Organiser & Secretary,
The All India Village Industries Association,
Maganvadi, Wardha, C. P.

Printed by— G. B. Joshi
Bhasker Press, Wardha. C. P.

1000-4-49

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CURRENCY INFLATION - ITS CAUSE AND CURE

I. CURRENCY

PURPOSE OF A MEDIUM OF EXCHANGE

When an individual has more than he needs of a certain commodity and desires to have some other products then he exchanges his surplus commodity for the desired article. This is the basis of all exchange and is called barter. Under this system a certain quantity of one commodity is given in exchange for a definite quantity of another commodity. When mutually honest exchange takes place, both parties to the bargain are enriched in so far as they have obtained what they desired in exchange for what was not of much use to them. This is the fundamental principle in commerce. One man's gain should not be another man's loss, but both should be gainers.

If a child has a gold watch and you attract its attention to a tin rattle and induce it to part with the valuable watch, it will not be a fair exchange in as much as you have gained at the innocence or the ignorance of the child. If a farmer possesses wheat and is induced to part with it for gilded copper bars which he mistakes for gold, the transaction is undoubtedly fraudulent, notwithstanding the fact that the fraud arises out of the ignorance of the farmer. The case is worse still if the party offering the gilded bar is one who holds himself out as a trustee for the farmer's welfare.

THE INTERMEDIATE

The essence of all exchange should be mutually honest barter. Even in the most highly developed financial centres, in the final analysis, goods exchange for goods. It is always so to a greater extent in international trade. Money

is merely a device to break barter into two convenient parts. It is an intermediate coupling transaction. A cow may be swapped for grain. The owner of the cow and the possessor of the grain may come directly together and strike a bargain. That is barter. The owner of the cow may exchange it for gold (money) and then exchange that gold for grain. This intermediate which Marx calls "Universal Commodity"—gold—becomes the medium of exchange to complete the two halves into which the single barter transaction had been truncated. Such medium of exchange with official recognition, is money, legal tender or currency. As Dr. A. J. Davenport says, "Currency is that thing or those things, specialised to the intermediate function in exchange and generally accepted in that function." (*Economics of Enterprise*, Page 254)

ATTRIBUTES OF AN INTERMEDIATE

It will follow, therefore, that the best medium of exchange which acts only as an intermediate is that which keeps the original relationship and does not introduce extraneous factors If the form of currency used as a medium of exchange brings in its wake any changes in values to the parties, deferred payments, credits, any deductions or disadvantages and so fails to report the elementary relationship of the parties entering into the transactions, then to that extent it is defective. All intermediates will be defective in some measure as it is impossible to devise a standard which can substitute barter in every respect. Because of certain conveniences that money introduces, such indispensable defects are tolerated within limits. A stage may be reached, however, when these defects tend to nullify the transaction and bring about gross inequality between the contracting parties, very often without their knowledge, and especially in a country like ours where over 90% of the people are illiterate, the use of currency is likely to lead to exploitation.

To be able to grasp clearly the currency problem in India today we have to look at two aspects of the question :

(1) Intrinsic value of the currency, and (2) the value of money relative to goods. A dealer may sell 5 paylees of wheat to a customer who gave him a silver rupee and only three paylees to another who had only a rupee note to offer. We may say that in comparison with the intrinsic value of the silver rupee the price of wheat in notes went high. To understand this we shall first take up the effect of different types of legal tender, with and without gold backing, on prices and confidence of the public and then proceed to study in the next section, prices in relation to quantity of money and goods in the market.

CURRENCIES AND THEIR BACKING

Generally speaking, the following represents the order in which the commonly used intermediates rank:—

1. Gold as an intermediate commodity (Bullion).
2. Gold as a medium of exchange (Coins & Legal Tender).
3. Certificates of States or Bank representing gold deposited.
4. Currency notes redeemable in gold with gold backing.
5. Currency notes issued against commodity (Discounted Commercial Bills).
6. Currency notes issued against reserves (Book Figures)
7. Currency notes issued against the credit of State or Bank.
8. Currency notes issued against the credit of foreign States.

The second adds the danger of debasing to the first. The third introduces the factor of fidelity of the State or Bank. The fourth depends on the solvency of the promisor. The fifth is founded on the value of a fluctuating marketable commodity. The sixth has to face the danger of a forced realization of the assets. The seventh is backed by national credit or confidence, and the eighth may have to reckon with the chances of repudiation.

The acceptability of the medium decreases in this order. The first four follow the lines of orthodox currency, while the last four partake of the nature of Banking, introducing the element of credit.

Dr. Davenport opines that "credit, the lowest order of medium within the currency classification, is the medium of the weakest or of vanishing efficiency in redemption." (*Economics of Enterprise*, Page 258)

OUR CURRENCY NOTES AND PRICES

The Reserve Bank currency policy partakes of the first and the last orders and is drifting very rapidly to the last or the worst form. The metallic backing for our currency notes in 1920 was 80.9% and in 1935 it was 70.9%, while in September 1939 currency notes had a gold backing of only 20%, and this fell to 15% in September 1941, and in August 1943 it was hardly 6%, *i.e.* in popular terminology an anna in the rupee. Between September 1931 and end of 1940 gold valued over Rs. 380 crores was allowed to be exported out of India on private account alone.

The wholesale price index in 1939 was 115 with the year 1914 as base and in July 1943 it was 332. Since 1939 while the currency has gone down to less than 1/3 its gold value the prices have gone up nearly three times.

DECLINE IN VALUE OF MONEY

Taking the quantity of paper currency alone our note issue has more than trebled itself. Further increase will result in wholesale prices rising at a much greater pace. This phenomenon has been borne out by experience of inflation in Germany, Austria and Russia as indicated in the following table:—

Country	Year	No-of times increase in	
		Note issue	Wholesale prices
Germany ...	1917	3.4	2.2
" ...	1920	13.5	14.4
" ...	1921	20.3	34.9
Austria ...	1916	2.85	2.78
" ...	1920	61.3	62.2
" ...	1921	348	450
Russia ...	1916	2.35	1.14
" ...	9920	93.8	3400
" ...	1921	499.9	20339

In Germany we notice clearly prices had begun to go up long before the fall of the mark due to inflation in 1923.

In the above we have looked at wholesale price indices as the retail prices do not often reflect market conditions quickly owing to the inertia of prices.*

*Inertia of Prices

In a market of rising prices small merchants hesitate to increase their prices proportionately to the general rise and base their selling prices on the original cost to them rather than on the replacement cost and hence run the risk of heavy losses when the prices fall to normal or in any case they do not profit much by inflation, while the bigger merchants and wholesale dealers have no compunction to push up their prices proportionately or even higher than the general rise and these latter, therefore, profit greatly by inflation.

The general proposition that an increased supply of a certain article reduces its value applies to inconvertible paper money also. Merely by increasing inconvertible paper we cannot create artificially proportionate values.

Professor Marshall comes to the conclusion that "the total value of an inconvertible paper currency, therefore, cannot be increased by increasing its quantity; an increase in its quantity which seems likely to be repeated will lower the value of each unit more than in proportion to the increase." (*Money, Credit & Commerce*, Ch. IV.)

CURRENCY PRINCIPLE

In highly industrialized countries credit and Bank deposits have played a part in supplying finance which is ultimately tied down to gold. Until before the last war even England followed what is called "the Currency Principle" by which the supply of bank deposits depended on the supply of cash. The supply of cash depended upon the supply of notes. If the supply of notes is tied to the supply of gold, then the supply of money is regulated by the supply of gold which is the desideratum. (See *Modern Banking* by R. S. Sayer, Page 123.) An agricultural country like India specially needs such a commodity based currency and not a credit based currency as we seem to be heading for. In agricultural economy there is a considerable time lag between the acquisition of the sale proceeds at harvest time and the exchanging of that purchasing power for other consumable goods. This interval may be even as long as a year. The form of currency medium suitable to our economy should be such as to guarantee that there will be no likelihood of a fall in its value. If this assurance is not forthcoming the confidence of the public in the currency will be shaken.

PUBLIC CONFIDENCE

George Clare and Norman Crump express the opinion that "If paper money is to fulfil its main function as a medium of exchange, *i. e.* as a means of paying debts and buying and selling goods, the people must be confident that it will maintain its value."

"Unless, therefore, paper currency commands confidence at home and abroad, it will rapidly lose both its home purchasing power and its value against other currencies in the foreign exchange markets." (*The A. B. C. of the Foreign Exchanges*, Xth Ed. Page 145.)

"The result of over-issue is a general redundancy of currency, a fall in its purchasing power, a rise in prices and a deterioration of confidence in the currency." (*Ibid.*, Page 147.)

VALUE OF PAPER CURRENCY

William F. Spalding states that "It is almost axiomatic that where owing to the increasing financial embarrassment nations are compelled to have recourse to a creation of a forced paper currency and that currency is not convertible' into gold, it is sure to suffer considerable depreciation.' (*Foreign Exchange and Foreign Bills*, XIth Ed, Page 182) For instance, the paper currency in Russia on the 16th July 1914 had a gold backing of 92%. In September 1914, 1225 Roubles were exchanged for £1, but when inconvertible paper notes were issued in October 1923, 5,040,000,000 Roubles were exchanged for £1.

"Finally after getting back to a state of direct barter a new currency system had to be established in Russia and by stages something like an ordered monetary standard was built up." (*Ibid.*, Page 185.) Similarly in Austria in July 1914,

4.95 Kronens were exchanged for $1, but after inflation by inconvertible paper money in December 1923, 10,000,000 Kronens were equal to $14; and also in Germany in 1914, 20 Marks were equal to £1, but when the printing presses were resorted to in 1923, 100,000,000,000 Marks could hardly exchange for £1, and finally a stage was reached when in 1923 foreign Bank notes had to be used as money in Germany.

As Wagner says, "Paper money is capital from the point of the private trader, but it is not so for the national economy." *Russian Paper Money*, Page 16.)

Prof. C. Bresciani Turroni points out that: "If paper money is issued in a quantity larger than the amount of the metallic money which formerly circulated and for which the paper money is substituted, its sole effect is to direct the employment of existing resources into different channels." (*Economics of Inflation*, Page 185.)

The Government of India by its own currency policy or rather want of one, has brought about a lack of confidence in its paper currency among the people by continually lowering the metallic backing and increasing the fiduciary issue.

Giving evidence before the Chamberlain Commission Mr. Moreton Frewen stated, "In fact since the closing of the mints the Indian Currency System has been managed at the whim of the latest official sent down from England. One man could come along and stuff the currency, the next would starve it. There has been no plan at all............But always some fresh experiments advised..............a gold mint, prohibitive duties on silver bullion............anything or everything."

The Hilton Young Commission recommended that "The ordinary medium of circulation in India should remain, as at

present, the currency note and the silver rupee and the stability of currency in terms of gold should be secured by making the currency directly convertible into gold for all purposes but that gold should not circulate as money." (*Gold Bullion Standard* para 54.)

In spite of this valuable advice given in 1926, since 1930 the credit element in our currency has been increased by leaps and bounds as the fall in the backing from 80.9% to 6% referred to above indicates; and the masses have hardly any knowledge of it. For foreign purchases India should be paid in gold if commodities are not available. Instead today the printing press functions providing us with sterling securities of doubtful value.

PERMANENT INTRINSIC VALUE

The definite advantage the holder of money has over the seller of goods is dependent on the permanency of that asset and the general desirability of money. Hence it follows that in the measure that such permanency is undermined by the introduction of credit into it, the position of the holder of currency becomes perilous. Rightly has the author of *Faust* attributed the invention of paper money to Mephistopheles—the devil.

As the currency changes from the first four stages to the last four stages, the earlier holders who acquired their assets will find these depreciate in value, *i.e.* the purchasing power of money falls.

In the illustration given earlier in this section where the farmer is induced to part with his goods in exchange for gilded copper bars, if the copper bars represented depreciated currency such a medium of exchange can easily lend itself to the unwary being swindled or deceived

Thus we see that as the intrinsic value of money falls and people's confidence in the currency is shaken, prices tend to rise.

STORAGE OF PURCHASING POWER

In industrialised countries the factor of time plays little part in the Intermdiate. A capitalist gets the sale proceeds of his goods and pays it into his bank immediately. A labourer gets his wages and exchanges that purchasing power for consumable articles within a week or a month before any change in the value of money can take place. On the other hand, in an agricultural country a farmer sells his produce after the harvest, and as no banking facilities are available to him in the village, he has to preserve his proceeds as best as he can till the next harvest. Therefore, it is essential for a farmer to have an intermediate with a steady intrinsic value which he can store away conveniently. Thus the hoarding habit of farmers is not an incorrigible perversity but is an unavoidable necessity arising out of the nature of their seasonal occupation. Hoarding can be countered only by an efficient organization of a chain of multiple co-operative societies which will take in the produce and market it and finance the farmers in the meanwhile. Until we have such facilities open to the rural population, treasure troves supply a fundamental need and the yellow metal will have to be made available for the purpose. Decrying hoarding without understanding its place in the present economy only betrays ignorance or callousness.

Ours is an agricultural country where the intermediate has to serve a dual purpose—(*a*) as a medium of exchange and (*b*) as a means of storing purchasing power. Often the latter function overshadows the former. Our masses do not

invest to live on the unearned income. They are content to keep their capital intact. Hence this evaporation of the backing of currency notes and fall in their intrinsic value is of great consequence to our country. Even in highly industrialized Germany, under the stress of necessity, people resorted to hoarding. When inflation was at its worst, the German people got rid of their money as fast as they could and obtaining whatever commodity they were able to get, hoarded their purchasing power for future use. Even farmers acquired machinery and instruments of production, which may never be used by themselves, as a means of preserving their purchasing power for future use. This function of our currency is freqently overlooked. To ensure this aspect it is essential to maintain the intrinsic value of our currency by an adequate backing in gold or make bullion available to the people against notes. Instead of this, when a fiduciary issue of notes is offered the public are given gilded copper bars in lieu of gold.

SUMMARY

In this section the function of currency was stated to be

(1) A temporary medium facilitating the exchange of commodities.

(2) In our agricultural country to afford a convenient storage of purchasing power which will have an intrinsic commodity value that will be acceptable in the market without much discount even after the lapse of considerable time.

It was noticed that inconvertible paper money had a limited area in which it could be useful but was subject to the vagaries of credit instrumeuts leading to fluctuations in prices and also was not a dependable medium of storing purchasing power.

II. INFLATION

In this section we shall study what effect varying quantities of money have on prices.

This may not be the proper place to go into mathematical representation and explanation of what learned economists call the "Quantity Theory of Money", but the principle may be explained by a simple illustration. If we have a bag of wheat which we exchange for a bundle of cloth with the intermediation of a purse containing 50 pieces of silver we have

Bag of wheat	*Purse*	*Bundle of cloth*
Commodity	Intermediate	Commodity

The bag of wheat and the bundle of cloth represent commodities and the purse money or currency. Variation in their relationships is indicated by the contents of the purse which measures the price—50 pieces of silver in this case. If C commodities exchange when the purse contains 50 pieces of silver today and tomorrow, the same C commodities exchange while the purse contains 100 pieces of silver, we say the price has gone up, *i e.* the purse has been inflated.

C *Commodity*	*Purse (100 pieces)*	C *Commodity*
Constant	Doubled	Rise in price

When the same commodities exchange while the purse contains 25 pieces of silver we say that the prices have fallen or the purse has been deflated.

C *Commodity*	*Purse (50 pieces)*	C *Commodity*
Constant	Half	Fall in price

If twice the quantity of commodity $2C$ taken above exchanges with a constant purse of 50 pieces of silver relatively again we have a fall in the prices.

2 *C* Commodity	Purse (50 pieces)	2 *C* Commodity
Double	Constant	Fall in price

Or if half the commodity exchanges, then there is a rise in prices

½ *C* Commodity	Purse (50 pieces)	½ *C* commodity
Half	Constant	Rise in price

When twice the quantity of commodity 2 *C* exchanges if the contents of the purse be increased to 100 instead of 50, prices will remain the same.

2 *C* Commodity	purse 100 pieces	2 *C* Commodity
Double	Double	Price constant

Such price variations are bad for business and the function of the currency authority is to maintain the price level constant while adjusting the quantity of currency in circulation to the quantity of commodities in the market.

INFLATION

The quantity of commodities in the market may be varied by consumption or production becoming greater or less and by exports if these are not made up by an equal increase in production. When the quantity of currency increases relatively to the commodities in the market there is said to be a state of inflation.

A FORM OF CONFISCATION

By inflation the purchasing power of the intermediate is lessened progressively and the holder of such intermediate is deprived of his purchasing power without his being conscious of it. It is one of the worst forms of taxation, being in effect a confiscation of property. Professor C. N. Vakil says, "The inflation may be compared to robbery. Both deprive

the victims of some possession with the difference that robbery is visible, while inflation is invisible; the robber's act is sporadic, inflation acts continuously; the robber's victim may be one or a few at a time, the victims of inflation are the whole nation; the robber may be dragged to a court of law, inflation is legal." (*The Falling Rupee*, Page 14, Footnote.)

CURRENCY CONTROL

A satisfactory planned system of currency has to control the stability of the market. A rapid change in prices registers the instability of the medium of exchange as Dr. Davenport points out. (*Economics of Enterprise*, Page 254.)

RISE IN PRICES

The thermometer of inflation is the price level. From 1939 to 1942 prices have risen in the U. K. by 26 points, in the U.S.A. by 22 points. In India the index of wholesale prices was 115 in 1939 and in July 1943 it was 332, *i. e.* it had risen by 217 points. In the U.K. and the U.S.A. their respective Governments had taken anti-inflationary measures. In fact, the transfer of sterling securities to the Reserve Bank of India is one of the measures to grapple with the evil of inflation in the U.K. while the same measure has the reverse effect on India when it forms the basis for the expansion of our paper currency.

PRICE CONTROL

Ordinarily, Governments control prices by withdrawing purchasing power from the people by various means such as taxes, loans, inducing savings, encouraging investment in capital goods, etc. and by restricting consumption by rationing. In India until quite recently, the Government has been following a literal method of price control by trying

to fix prices rather than by adjusting the price and currency mechanism. It is like controlling the speed of a car by tampering with the speedometer which only registers the rate at which the car moves. What would we think of a medical practitioner who tampers with the thermometer to get a low reading of the patient's fever ! Government alone can take adequate measures to check inflation. The Government of India is not under popular control nor is it amenable to public opinion and, therefore, the public is thrown on its own resources to defend itself as best as it can against this visitation of devastating inflation.

SUMMARY

The causes of inflation were traced, in this section, to the want of equilibrium in the quantity of money in relation to the amount of goods exchanging hands being indicated by the soaring upward of prices where there is a relative shortage of commodities or flood of the medium of exchange

III. GERMAN EXPERIENCE

Fortunately for us we have the advantage of the lessons Germany learnt through much tribulation during currency inflation. We can draw on this as far as it will apply to our conditions and it can serve also as a warning post for us to sit up and take note.

In Germanv, inflation was at its worst about 1923, nearly 5 years after the hostilites ended. The Government spent whatever money it created mostly in reconstruction of the country, building docks, canals, railways, electric generating stations and in subsidizing iron and steel industries. There was, therefore, some national asset created out of inflation. It may be looked upon as a kind of taxation bordering on confiscation of property. In India, however, inflation is not used in creation of productive instruments or in production itself but in destruction. If we may illustrate the two different forms the German inflation was like borrowing funds to sink a well for irrigating the field, while in India it is like getting into debt for having fireworks at a wedding feast.

CAUSE OF INFLATION

In Germany, the Socialist Party, which came into power after the war, did not have sufficient hold over the monied classes of the empire days to tax them heavily and so it resorted to the printing press to finance its schemes of national reconstruction.

EXPROPRIATION

This policy unsettled the country to a greater extent by inflation than the changes caused by four years of war. As stated by Professor C. Bresciani Turroni (*Economics of*

Inflation, Page 317): "According to official estimates, in 1913 the outstanding loans of the Reich amounted to 4,806 million Marks, those of the States to 16,197 millions and those of the municipalities to 6.341 millions. War loans added 51,148 million paper Marks. Later the premium loan of 1919 (3,840 millions) was added." "The value of industrial debentures, etc., amounted to 4,606 million Marks in 1943". "This enormous mass of marketable capital was completely upset by the inflation. It is no exaggeration to state that the depreciation of the currency caused in Germany the vastest expropriation of some classes of society that has ever been effected in times of peace." (*Ibid*., Page 318) "Besides those who possessed wealth in the form of securities or credits there were numerous other individuals who lived totally or partly on a fixed money income, those receiving assurrance payments from private companies, old people or those disabled by accidents, the war disabled or the parents of the fallen, pensioners of the State and private institutions. The depreciation destroyed what was often the sole income for those individuals. They were reducced to the most abject poverty.

The inflation also destroyed the wealth of charitable institutions, of religious societies and of scientific and literary foundations. In Berlin, for example, there were about 60 charitable institutions with endowments which were invested in mortgage and securities amounting to 56 million gold Marks. This was almost entirely lost, being after the 'revaluation' as little as a million and a half Marks." (*Ibid.*, Page 320.)

SOME BENEFITS

Even in highly educated Germany the evil of inflation was not understood for a long time. However, the rise in

prices which imposed a restriction on consumption directed a part of their energies towards manufacture of new instruments of production.

THE DAMAGE

In spite of it all, Professor C. Bresciani Turroni expresses the opinion that the disequilibrium created in the economic organization was so profound that the national economy gained little from the creation of the new capital by inflation. He says: "At first inflation stimulated production because of the divergence between the internal and the external values of the Mark, but later it exercised an increasingly disadvantageous influence disorganising and limiting production. It annihilated thrift; it made reform of the national budget impossible for years; it obstructed the solution of the reparation question; it destroyed incalculable moral and intellectual values. It provoked a serious revolution in social classes, a few people accumulating wealth and forming a class of usurpers of the national property, while millions of individuals were thrown into poverty. It was a distressing preoccupation and a constant torment of innumerable families; it poisoned the German people by spreading among all classes the spirit of speculation and by diverting them from proper and regular work and it was the cause of incessant political disturbances. It is indeed easy enough to understand why the record of the sad years 1919 to 1923 always weighs like a nightmare on the German people.' (*Ibid.*, Page 404.)

Comparison with Germany does not fuly explain the evils. Theirs was a National Government spending the expanded currency inside their industrialized country in building canals, inland ports, electricity centres, railways, etc., granting compensation to shipping companies and helping the

iron and steel industries and generally in reconstruction of Germany's productive apparatus. We have to take note of the different circumstances prevailing in our country. This we shall now proceed to study in the next section.

IV. INDIAN SITUATION

The malady in India is clearly due to flooding the country with currency notes without adequate backing on the one hand and withdrawing commodities out of the country on the other, without a compensating increase in production within the country, failing to add to the country's stock by imports from abroad.

CURRENCY NOTES

Since 1939 there has been an unprecedented expansion of note issues against securities as shown by the table given below :—

	1939-40	August 1943	Increase	Per cent
Notes	228 Crores	766 Crores	538 Crorss	336
Sterling Securities...	78 ,,	619 ,,	541 ,,	796
Gold	44 ,,	44 ,,	Nil	Constant

All this would have been to the good had production within the country increased in the same proportion. But instead we find a shortage of commodities in the market.

THE ROLL OF THE U. K. C. C.

Such produce as we have is being sent out of the country in huge quantities leaving behind only paper notes in exchange. The President of the United Kingdom Commercial Corporation, Sir Francis Joseph, is reported to have said recently in London that "When the Corporation began to operate in India in June 1940, it was necessary to get a great variety of goods quickly to the near and Middle East......... India was now one of the major supply bases of the United

Nations. With the help of the Government of India the Corporation had lost no time in drawing on this source for supplies urgently required. Prompt shipment of Indian wheat had spared Persia the rigours of famine in the spring and early summer of 1941. Persia had received from India foodstuffs such as sugar, tea, manufactures such as cotton piecegoods and raw materials. Shipments ranged in bulk from several thousand tons, lots of cement to small parcels of pharmaceuticals. Syria and Palestine were other Middle East countries which have drawn on India for supplies. Turkey received iron and steel, cotton yarn, hessian cloth, jute bags, ropes and hides......... It was clear that part of Russia's needs could be met from India. Orders were at once placed for a long list of commodities all for prompt delivery and in very large quantities. The list covered such articles as hessian gunny sacks, jute ropes, cotton canvass, hides, shellac, tea, ground nuts, tobacco and graphite. It is not possible to give details of actual tonnages, but the scope of business done in India for Russia was indicated by the fact that one recent order was for eleven million gunny bags." (*Reuter*, H. T., 28-5-43.)

This is robbing Peter to pay Paul. We may save Persia from famine, but India, which is already underfed and sparsely clothed is not the place from which to snatch away this food nor all this valuable material, in effect in return for sterling securities, and that too at prices controlled by Government. India received no commodity in exchange which fact in itself would be sufficient cause for inflation, as these exports are not products of excess output, but are taken mostly out of the normal stock of the country. In any case, half-starved and ill-clad India should be the last place to be asked to stint itself to supply rupee finance to Great Britain.

This enormous withdrawal of commodities from the country will in itself have a tendency to raise prices. We noticed that the quantity of currency had been increased more than three times. This again will raise prices. With lessening quantity of commodities, the proportionate decrease in the contents of the purse is called for. But Instead of this, the medium of exchange is increased three times. This is the main reason for inflation in India. The paper currency has been increased to pay for Great Britain's war purchases by the Government, setting aside the normal checks under the Reserve Bank of India Act by ordinances of the Governor-General.

INSECURITY OF THE STERLING PAPER

To pay for their purchases the Government deposit sterling securities with the Reserve Bank against which the Bank issues currency notes. Sterling securities represent the credit of Great Britain and are like promissory notes. Value of promissory notes depends directly on the credit of the promisor. To the end of August 1943 the four years of war had cost Great Britain 18,300 million pounds. No nation, however wealthy, can stand this strain without its credit position being damaged considerably. According to the London Journal, the *Economist*, over three thousand crores worth of its foreign investments have been cashed in to pay its war bills. This reflects an enormous fall in the credit position of Great Britain and will naturally affect the value of its promissory notes. She is no longer on the gold standard. Hence our notes, which have value, and sterling securities which represent merely credit backed mainly by such depreciated documents which do not now represent the value they once did, have also lost their intrinsic value *pro rata* with every chance in future of these credits also being utilized in one way or another to serve the purposes of Great

Britain. We may well ignore even the doubtful value they may possess in calculating the money value of our rates. Hence the conclusion that in so far as our notes represent sterling securities based on the falling credit of Great Britain they have little value; but as far as they represent gold bullion they are worth one anna in the rupee, as we had already pointed out in section I.

THE RESERVE BANK

The Reserve Bank piles up such securities and prints notes against them. Within the month ending on 16th April last over one hundred crores of sterling securities were added to the stock. Thus since the war, to the end of June 1943 sterling securities have been increased by 476 crores. This indeed is an unstable position. If instead of increasing these paper sterling securities the Reserve Bank received gold in payment for Indian supplies, such gold can be sold to the people who will return in payment the excess currency notes in cirulation. This safety valve has been blocked by an ill-conceived constitution of the Reserve Bank which is based on experience of central banking gained in industrialized countries used to credit instruments which, though it may suit them admirably, may not be satisfactory under circumstances in which we are placed in India, and by giving power to the Executive to alter the currency rules.

In providing for the backing of currency notes the Reserve Bank Act places bullion, which possesses intrinsic value, and sterling securities which represent merely the credit of Great Britain, on the same level. This is contrary to sound principles. Advantage has been taken of this subtle provision to put into circulation unlimited quantities of notes. Referring to this enormous stock of the sterling securities thus built up to the credit of the Government of India, the Chancellor of

the Exchequer drew the attention of the House of Commons recently to the easement in British finance affected by the generosity of the Government of India in acquiescing in this method of financing Great Britain.

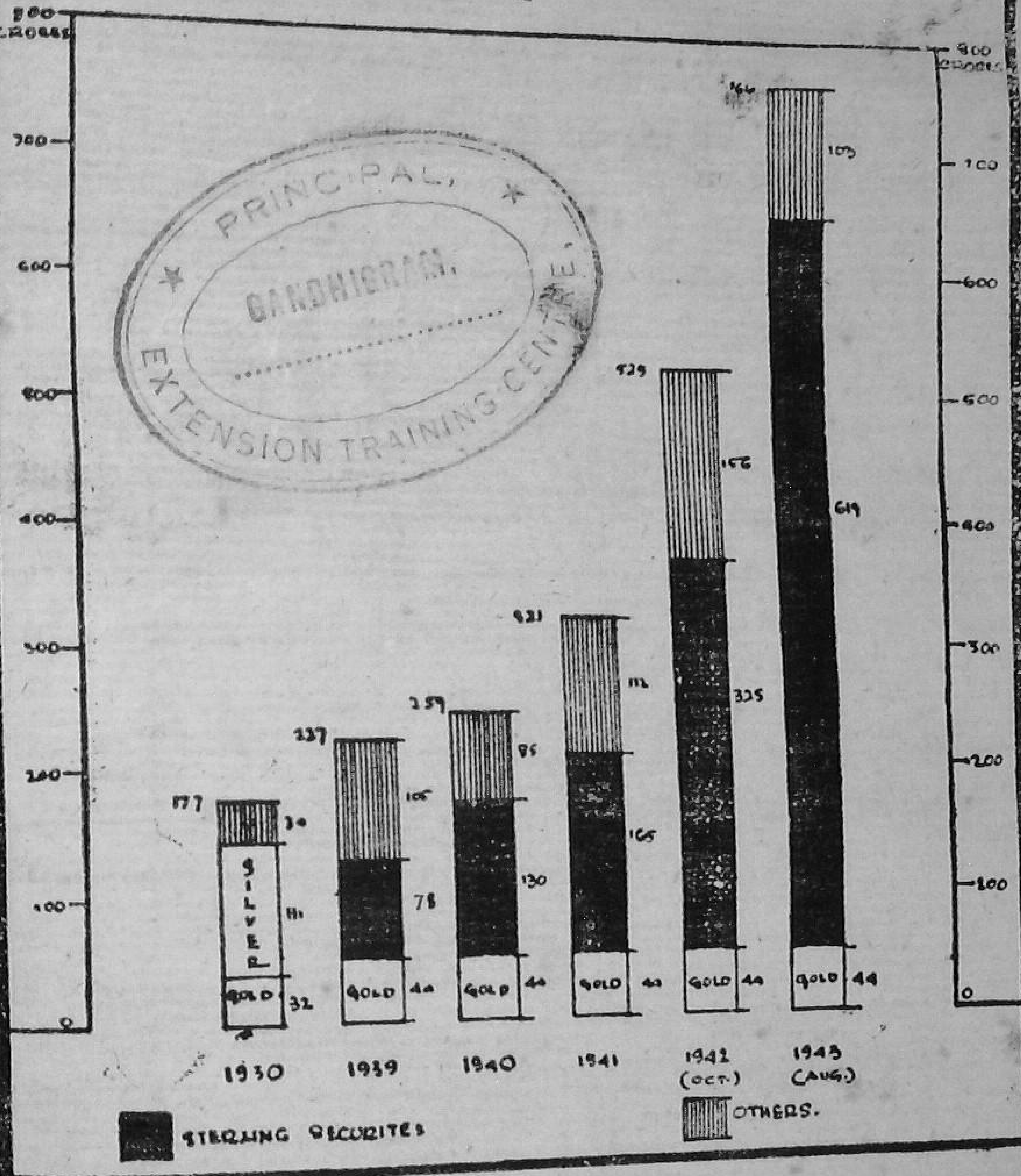
INCREASING PRODUCTION

Even from the point of view of the capitalists, Government has turned a deaf ear to their importunate demand to increase production within the country by organizing new industrtes to supply the requirements of the war efforts of the allied Governments. Thus the commodities in the country have been allowed to dwindle away instead of the Government helping to replenish the shortage caused by exports by increasing production

REDISTRIBUTION OF WEALTH

Only recently in the middle of May 1943 the Government has recognized the need for anti-inflationary measures by appointing a special officer to deal with anti-inflationary measures and by passing the Excess Profits Ordinance. The form of anti-inflationary measures to be adopted must be indicated by the causes of inflation. Taxation or loans by themselves provide no remedy. The recent ordinance to tax profiteers to the extent of 92 per cent, can only be a remedy if the disturbance is caused by over-concentration of wealth in which case it must be accompanied by Government expenditure calculated to redistribute wealth more equitably. Mere transfer of purchasing power from the profiteer's pocket to the credit of Government will serve no useful purpose. If the Excess Profits Tax does not go to alleviate the particular classes who have suffered by inflation, the remedy may prove worse than the disease.

BAR DIAGRAM SHOWING THE NOTE ISSUE & ITS BACKING.



PRINCIPAL, GANDHIGRAM, EXTENSION TRAINING CENTRE

DIAGRAMS SHOWING THE METALIC BACKING OF THE RUPEE.

CONTRACTING PURCHASING POWER

To the end of August 1943 the demand liabilities of the Scheduled Banks have risen by nearly 300 crores since September 1939, and yet the Government is not able to induce the holders of these balances to lend to Government. Even the small saver, indicated by the Post Office Savings Deposits, has withdrawn about 50 crores since 1939. These facts show that the people in India are not willing to finance Great Britain, hence the Government has to fall back upon the printing press. The public faith in the Government policy has not been sufficient to entrust them with further funds.

ACQUISITION OF BRITISH INTERESTS

The acquisition of British interests in India has been suggested as a means of combating inflation. This may be one way of using up our credits in London, resulting in the transfer of concerns to Indian capitalists.

INFLATION IN INDIA

The special officer appointed to deal with the problem of inflation in India, Dr. L. Nemenyi, says in his pamphlet on "*War and Prices*", Page 4:—

"Typical characteristics of inflation are enormous rise in the circulation of notes, backed purely by Government securities and discounted commercial paper, lack of gold, silver and foreign exchange cover, and the issue of fresh notes without any relationship to existing Currency Acts. At the same time public finance is completely disorganized, budgetary deficits go from bad to worse and the gaps are filled by further unlimited issues of paper notes backed by worthless Government securities."

Thus we have seen in the foregoing pages that all symptoms of inflation, including the presence of "worthless Government securities," are present in a rich measure in our land. We shall now proceed to study how best to deal with it in the next section.

SUMMARY

In this Section the currency variations in India were noticed to be due to :

1. A large influx of paper money.
2. A considerable shrinkage of metallic backing.
3. Huge export of commodities.
4. Without adequate increase in production resulting in high prices and lack of public confidence and co-operation.

V. THE SOLUTION

"Inflation is an evil for the masses of the people now. It will be followed by deflation which will also lead to suffering of the masses due to unemployment." (C. N. Vakil *Falling Rupee,* Page 33.)

We cannot implicitly turn to other countries for precedents for us to follow. Local conditions will materially affect the solution.

Economic argument and methods adopted by highly industrialized countries like Germany will not always be applicable in an agricultural country. For instance high prices are good to farmers who produce for an exchange market as in Germany or in the U.S.A. where their purchasing power can procure other desired articles made within the country. If in a country like ours, where products of industries are few and far between, the agricultural produce is shipped out of the country and the farmers are left with a bundle of currency notes which will buy nothing to satisfy their immediate needs, what is the good of the high price when even adequate means of storing their purchasing power are not available to them? It may lead only to such famines as we witness all over the country today and especially in Bengal, Orissa, Bihar, Bijapur and Bellary. Our farmers have very little margin of surplus produce after their own family requirements are met. In many cases their financial commitments force them to sell all their produce at harvest time and buy back their family requirements later when the prices have gone up, higher than that at which they sold their own produce. Again a farmer who grows rice may

have been getting 5 annas per paylee in 1939 may get annas 12 per paylee now due to rise in prices, but this will mean a loss to himself if other goods he needs have gone up higher still in prices. For instance, *tur dal* which was about 8 annas a paylee is about Re. 1-4-0 par paylee; coconut oil has gone up nearly 3 times its old price as also cloth. So in the long run taking the completion of the exchange from commodity to commodity the higher money value he gets for his produce may not compensate him for the still higher values he may have to pay for other commodities he needs. Hence high and rising prices being advantageous to farmers and debtors cannot be formulated as an ever true proposition. For internal trade there is no panacea for inflation within the reach of the masses other than barter which can be applied whatever the cause of inflation may be.

THE CAUSE OF INFLATION

In Germany we found that the cause of inflation was the inability of the Socialist Government to raise taxes from the moneyed classes, but in India the present inflation arises out of the Government's unloading on the market bundles of inconvertible currency notes largely backed by sterling securities of doubtful value to pay for its war purchases. The source of the disease being known the remedy is simple, *viz.* withdrawal of purchasing power from the masses. The easiest way of withdrawing purchasing power from the masses is to place before them a form of investment attractive to them—in this case gold.

MEASURES TO BE ADOPTED

As it has been pointed out in section I our currency should have a great intrinsic value with little or no credit element in it to help the masses to preserve their purchasing

power. This is imperative in an agricultural country. For this reason the present fiduciary state of currency is most unsatisfactory. A gold bullion standard, with convertible note issue somewhat like the one recommended by the Hilton Young Commission, must be established without further delay.

REALISATION OF STERLING SECURITIES

The rupee should no longer be tied to the apron-strings of sterling exchange and be managed in the interests of London, but should be allowed to lead an independent existence based on a gold standard.

The sterling securities amounting to 619 crores at the end of August 1943 and foreign balance amounting to nearly 100 crores with the Reserve Bank of India should be realized in gold and deposited at Bombay.

GOLD IMPORTS

For its purchases from Canada, Great Britain pays 40 per cent in gold and 40 per cent by transfer of British property in Canada and not with sterling securities and notes as in India.

As already suggested in the last section, if our exports are paid for in gold or silver, these can be sold in the market by the Reserve Bank. This will ensure the withdrawal of the excess purchasing power. In such times a currency based on gold is called for.

CO-OPERATION OF THE PEOPLE

The Government Policy has not been responsive to public opinion and hence it does not get the co-operation of the people. Principal C. N. Vakil of the Bombay University School of Economics and Sociology expresses the opinion that

the peoples' co-operation should be enlisted to prevent infla-tion and thus help the war effort, and adds that to continue the present method of finance, leading to the pauperisation of the people, must inevitably come in the way of the war effort. (*The Falling Rupee*, Page 34.)

Professor Vakil further suggests, "If the Government of India are anxious not to involve the people of this country into economic chaos, they should think immediately of alter-native means of financing these (Rupee finance) require-ments and put a severe brake on the inflation that has started at the root." (*Ibid.*, Page 22.) In his opinion the present financial methods are positively detrimental to the interests of the country.

Inflation has to be checked by a withdrawal of purchasing power, a restriction of consumption and increase of production The present Government has not raised its little finger to do any of these things seriously. Hence, barter seems the only recourse open to the masses to escape from the economic devastation that awaits them.

BARTER

Barter fulfils the need of a complete transfer of th values without any shrinkage in the process. Whether it b a farmer or the Viceroy a paylee of wheat has the same valu of satisfying the hunger of either. There is no fluctuatin prices to bewilder the masses and it will cut off an middle-man's profit. It restricts consumption in a countr like ours where most persons live on the verge of subsisten level. When money is put into the hands of such person there is a temptation to buy foreign products of luxury. Th is avoided.

As a matter of fact Government themselves have recognized the usefulness of barter and have arranged at certain villages to exchange sugar, cloth and kerosene oil for jowar. At present they are giving one bag of sugar for four bags of jowar. Though they may not have consciously launched on this plan, yet the exigencies of the situation have driven the Government to collect even their revenue kist in kind. A few days ago the Adviser to the Governor of Madras announced that their Government are thinking of arranging to collect the revenue in shape of paddy. (*The Hindu*, 8-9-43.) The Lease-Lend arrangement between the U. S. A. and Great Britain is in itself a form of barter.

Barter completely erases the chances of inflation and is within the reach of the people who have control neither over their governmental policy nor over the financial manipulations of the Reserve Bank. Therefore, it is the only means at the disposal of the masses.

CONCLUSION

The acceptance of the principle of barter will involve that :—

1. The villages will retain all of their production needed for their consumption—food-grains, pulses, oil-seeds, ghee, gur, cotton for khadi cloth, fibres, tobacco, leather, selected seeds, etc. and other raw materials required for their industries. (It is customary to stock at least enough for their requirements for two years.)

2. The surplus of production after satisfying their primary needs as indicated in (1) will be disposed of as follows :—

(*a*) In exchange for commodities other than their products—steel, brass, kerosene-oil, mill cloth, tea, etc.

(*b*) In exchange for purchasing power needed to meet their financial commitments—payment of taxes, interest and loans and advances. In this connection it should be noted that where barter prevails money will cease to perform its function as a pure medium of exchange and will be of use only as a means of purchasing power at its intrinsic value-at present at about one anna in the rupee.

(*c*) In investing any further surplus in bullion.

SUMMARY

As remedies for meeting the present difficulties the following have been suggested in this section :—

1. The establishing of the Gold Bullion standard.
2. Unlinking the rupee from the sterling.
3. Settling our favourable Balance of Trade in gold.
4. Gold being made available to the public.
5. Until the Government are ready to follow public opinion the people should resort to barter as far as possible.

*　　*　　*　　*

Note: The above formed part of the statement to the Court in explanation of the financial principles and considerations involved in the article "*Stone for Braed*" which appeared in the *Gram Udyog Patrika* of December, 1942.

I BEATING ABOUT THE BUSH

At long last the Government is awakened to the fact of inflation and the need to control it. They have called for opinions from groups of economists, government officials, selected industrialists and bankers, well-known labour leaders etc. The summaries of these reports published by the government run into 30 foolscap sheets, and one who reads it gets an impression that though there is agreement in certain fundamentals, there is a good deal of special pleading in the remedies suggested. These "remedies" are very often merely their own schemes to better themselves under the guise of public service. Practically the whole thought seems to centre round largescale production and industries connected with them. There is little or nothing mentioned about the main source of production, namely agriculture and village industries. Hence the schemes to increase production suggested in these reports are like playing Hamlet without the Prince of Denmark. The basis of their suggestions seems to be an infinite faith in law promulgated by the legislatures and not the human character. They remind one of King Canute commanding the waves away. Great many statements are of the obvious like "Prices have to be reduced, currency has to be withdrawn," etc. The resultant action taken by the government to re-introduce controls shows that the government is oblivious of the lessons our past experience had to teach. With the lack of character, which is obvious in both the seller and the consumer, to introduce controls will be to repeat the past. The essential factors in control should be the administrative machinery and the sense of citizenship of the merchant. When these are absent, as it has abundantly

been proved, to bring in controls will be like handing over a flaming torch to a little child who is playing in a room full of wooden furniture and cloth upholstery. The use of the torch needs certain discipline and self-control which can hardly be expected from a child and it is folly to place instruments of destruction in hands which cannot be trusted.

SURVEY

A rapid reading of these reports brings out certain common features.

Causes: Practically all are agreed that the present inflation is largely due to government budgetary deficits, its expansion of government departments, open market operations of the Reserve Bank of India in support of Government Securities and increase in note circulation. During the last one year the government expenses have gone up by nearly 60 crores. These are largely to be found in the Departments of Information and Broadcasting, External Affairs, Aviation and Road Building. Defence alone shows an increase of over 90 crores. The expansion in government departments, especially Foreign Affairs, seems to have no limit. The bankers state, "The present situation has arisen because of shortage of the essential necessaries of life accentuated by large scale smuggling from India into Pakistan, lack of the sense of responsibility on the part of workers, redistribution of purchasing power in favour of the farmer and the factory worker and its spasmodic impact on the limited supply of goods. Government expenditure has, during a period of decreasing real national income, been increasing rapidly and important sources of income have been lost for sentimental reasons. The simultaneous rise of prices of goods and fall in the prices of equities, indicate the complexity of the situation and relatively speaking, the subsidiary importance of monetary factors.'

This quotation will itself show how ill-informed are even the bankers with regard to the purchasing power in the hands of the farmers. They state elsewhere, "Most of the surplus purchasing power is now in the hands of the farmers and workers." Again their lack of social sense is disclosed in their ignoring "Prohibition" as an essential nation building activity. They have no use for such "sentimental" reforms.

More realistically Prof. Ranga states the causes of inflation as follows:—

"The present inflation is not due so much to the higher prices of food grains as to—

(i) the abnormal prices charged for manufactured and semi-manufactured goods.

(ii) the abnormal prices charged for services rendered by the commercial and professional section of the population.

(iii) unlimited bank credit and consequent speculation

(iv) growing note circulation.

(v) standstill production of all essential industrial activities."

We would add to the above list under subheading (ii) High salaries paid to Government servants.

From all of this it would appear that the greatest culprit in causing inflation is the government itself, but in the remedies that they suggest they wish to ignore this fact. If these causes are granted the necessary remedies are obvious

Remedy:—By most of the groups vigorous arguments have been advanced that government should curtail its expenses, fearless retrenchment should be carried out and drastic reduction in staff made. The industrialists have

suggested that the government development expenditure should be largely on short term schemes. This would imply that instead of going in for expenses of the astronomic category on developmental schemes, such as the Damodar Valley and Kosi control, they should rather go in for minor irrigation works and anti-erosion projects. It is also suggested that such postponable expenditures should not be spent. The economists suggest a surcharge on incomes over Rs. 5000, an increase of 25 per cent on the business profits tax and the up-grading of the super-tax. They also suggest "Small-scale and cottage industries have a special role in the present emergency and should be fully-developed with a view to mitigate the essential shortages." They touch upon increasing agricultural production. Here we may add that such increase should be in food-stuffs and raw materials for prime necessities. Shri Jai Prakash Narain has also submitted a note. In it he suggests that "both import and export trade should be made State monopoly managed on commercial-not departmental-basis."......................."Import of luxury goods including luxury cars and of unnecessary articles should be stopped." He goes on to add," Agriculture should receive far more attention of the Centre than it is getting today; village panchayats should be formed and through them a production drive should be launched·! The production potential of villages should be assessed by them and their requirements in terms of manure, bullocks, tractors, other crushers, implements, wells, small irrigation schemes, charkhas, looms, oil crushers, dairy requirements, etc. should be determined, and met under Government initiative through co-operatives with a view to reducing the cost of production." He also suggests that "import of food grains should be stopped or discouraged as far as possible."

OBSERVATIONS

Many state that there is a scarcity of consumer goods, but they forget that this is an all-world malady to which we are no exception. The improvement of the situation lies in producing consumer goods which will bring in quick results. At the present time capital goods are not available and therefore, even as a matter of exigency, we have to turn to cottage industries. Unfortunately a great many of those in charge cannot think in terms of organizations other than the mammoth ones. If, as a measure of dealing with inflation, light dawned on powers that be, and village and cottage industries are harnessed to meet this need, it will be a boon to the masses of the people in our country.

Some of the advisors counsel dropping of the prohibition scheme. This shows what values people place on building up a society. We cannot afford to ignore social values. In an emergency the need for it is all the greater. We can afford to do without great many things, but we cannot afford to send some of our fellow beings into the gutters under the plea of monetary needs. Nation building activities should be safeguarded from the financial enthusiasts.

We are surprised that even a leading labour leader should make the mis-statement that at the present time "the rural indebtedness has been practically wiped out releasing additional purchasing power to the rural population". The labour leader forgets that whatever the increased agricultural prices may have meant to the few surplus producers, it has not brought relief to the bulk of the agriculturists in the deficit economy. Though the agricultural prices had gone up those of the manufactured articles also had risen and therefore the apparent advantage had proved to be more than a handicap.

The Financial Adviser, Dr. P. J. Thomas while strongly recommending retrenchment in the government staff, curiously enough equally strongly recommends an expansion of his own department! This appears to be the way most of the counsellors have been working. The industrialists take this opportunity to ask for safeguarding them with labour legislation. They want to introduce third-shifts, they plead for supplies of coal and raw materials. They expect to get special depreciation allowances and relief from income-tax. They wish, the government will not make any statements to shake confidence of the industrialists and want the government to re-enunciate their industrial policy! Thus all the counsellors seem to have gone to the government to plead their own case. The Government itself seems to be obsessed with what Shri Jai Prakash Narain calls the Tennessey Valley Authority mentality and are not willing to let go their grip of power which makes them jealous to expand their departments and incur expenditures without counting the cost.

SUGGESTIONS

As we have already indicated development of character and discipline is the first pre-requisite. In this the government itself should set the example and turning the search-light inwards should set its own house in order. Princely salaries to members of government, Ministers of provinces and other high dignitaries should all be scaled down ruthlessly to be in consonance with the economic status of the common half-starved citizen. Unless it does this it will have no grounds to ask others to help in its effort of setting up the economic structure of the country on a sound basis. The moral appeal given by an example is much greater than all the preaching from the house-tops. In regard to currency, the suggestions made of withdrawing the money in circulation by issuing Government paper, unless such funds were made available

or ear-marked for specific purposes, such as agricultural development, will be a danger if left in the hands of what has proved to be a spendthrift government. Here we may mention that notes in circulation have gone up several crores in the last few months. If our expenses are to be met by the printing press, no attempt at deflation will ever succeed. The sooner we bring the improvident government to base its currency on valuable securities, such as gold and silver bullion the better it will be for the country. It will increase the credit-worthiness of the government.

As regards production, as we have repeatedly statede we agree that village and cottage industries should be stepped up and agriculture should be made to produce all that we need in the form of prime necessities. Foreign trade should be restricted to surpluses only and the use of money should be confined to exchange of commodities to comparatively distant places, while local exchange should take place as far as possible through multipurpose co-operative societies on the basis of barter. Agricultural prices themselves should be, fixed not as derivative from manufactured articles and indices worked up by a consideration of such prices, but they should be calculated independently on the basis of effort and energy put into production of such commodities. Unless this is done the old slogan that "agriculture does not pay" will assert itself.

Until our economic structure is firmly based on the activity of the common man in producing the needs of the general public, we shall always be in an unstable equilibrium like a cone balanced on its apex. It is time that the government took stock not only of the financial morass in which it finds itself, but the greater mess in which the country has been led by lack of a well-defined and thought out economic policy

October, 1948 — *Gram Udyog Patrika*

II GOVERNMENT AND DEFLATION

The Government has formulated some plans for meeting the problem of ever soaring inflation. These plans are overweighted on the side of large scale industries. When we take the production of agriculture and village industries, the output of large scale industries is infinitesimal. Therefore, if we want to increase the production, even a slight improvement of agriculture and village industries will provide a great lever for banishing inflation. But this factor of production has been almost ignored.

One has to remember that the large measure of this inflation is due to the spendthrift nature of this Government which in itself is an outcome of a fall in a sense of values in the income and expenditure on Governmental affairs. The remedy for this cause of inflation would be to increase the value of money while reducing the quantity that gets into any particular hands. For instance, a man with Rs. 10/- in his hands has a certain value for his tenth rupee while another with one lac at his disposal would have comparatively little or no value for his last rupee. To meet this difference in the unitary value of the margin, it is necessary to cut down the funds available to any Government Department. The simple way of doing this is to decentralise both the revenue collection and dispersal of expenditures. We have to develop a system of local administration which will resuscitate the ancient methods of village republics. Until this is done, fighting inflation will be merely dealing with symptoms and not the disease.

Similarly the use of money must be largely restricted

by introduction of certain amount of exchange in commodities in local transactions by the instrumentality of multi-purpose co-operative societies.

These reforms under conditions prevailing today may lead to a certain amount of looseness in administration. But we have to face this problem so as to educate the villagers to shoulder responsibility. Centuries of foreign rule have brought us to the present state of a diminished sense of public duties. To build up this civic character of the people, it may take some decades, but that is a period which has to be gone through before the people can be expected to take up the responsibilities of Swaraj.

November, 1948 —*Gram Udyog Patrika*

III EFFECTS OF INFLATION

There has been a great deal said about the evils of currency inflation but little thought has been bestowed on the "inflation" in domestic finance. When an individual has an income barely sufficient to meet his needs he spends his wherewithal with great care on items of prime necessities such as food, clothing and shelter. He would draw fine distinctions even in necessities so that he gets full value for every pie he spends. If suddenly this same person were to have his income raised ten fold, all his sense of values and proportion will be upset. He would now begin to spend lavishly with little consideration of the return he gets. He may go in for luxury articles even when prime needs are not satisfied. This is the effect of inflation in domestic finance. It often forms a favourite theme of cartoonists in depicting the spending propensities of the new-rich.

We find the effects of such circumstances even on hard headed intellectuals like Rajaji A news item says that the Governor-General has donated a cup costing about Rs. 1300, for next year's Indian St. Leger for four year-old colts and fillies.

This is a meaningless partonage of horse racing. When the economic organization of England was based on horses for quick transport and riding, horse breeding was an industry of national interest. At that time horse racing had an economic purpose in Great Britain. Princes and noblemen were allowed to indulge in it as a sport as it had a vital bearing on the needs of the people. After the industrial revolution, when steam power replaced the horse, the *raison*

de etre for horse racing ceased. Nevertheless, because evil habits have a great vitality, gambling persisted. The modern horse racing is but a carry over. This was introduced into our country as a fashionable pastime by the British and our idle rich have taken to it though here it has no economic foundations for its existence. It is an unmitigated evil that should have been wiped out on the 15th August, 1947 with the last remnants of the British. What is needed in our country is encouragement to cattle breeding both for milk and draught. Those who have been blessed with worldly goods exceeding their needs should take to this industry as a hobby and endow prizes etc. to further this cause. It is a matter of deep regret that our leaders should follow blindly the traditions of the British devoid of a rational approach to the problems of Swaraj.

January, 49

—Gram Udyog Patrika

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3 INDUSTRIES

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4. SURVEY

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(with supplement)
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Kaka Saheb Kalelkar writes:—"The report is presented to the public as an authoritative document on the economic condition of a typical taluka of Gujarat. The reader will find that the statistics presented here in careful schedules are even more eloquent than the main body of the carefully worded and lucid report itself. It is a vivid picture of the slow process of exploitation, emasculation and perhaps decimating of a patient and peaceful population".

A Questionnaire for Rural Survey (H) (E) 0-4-0 0-1-0
A Questionnaire for the Survey of Village industries (E) 1-8-0 0-4-0

5 SUNDRIES

Guide to Maganvadi (E) (H) 0-3-0 0-1-0
Views of Maganvadi (2[illegible] pictures) (E, H) 0-8-0 0-4-0

6 MISCELLANEOUS

* **Public Finance and Our Poverty**
By J. C. Kumarappa
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By J. C. Kumarappa

Dr. Rajendra Prasad says:—

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*** Clive to Keynes**

By J. C. Kumarappa

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By J. C. Kumarappa

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(Gives an account of the jail experiences of the writer and his suggestions of reform).